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SUBJECT: BUSINESS LEADERS STILL WORRIED ABOUT U.S. PROTECTIONISM

REF: A. CANBERRA 357
[1](#)B. CANBERRA 327
[1](#)C. CANBERRA 203
[1](#)D. MELBOURNE 37

Classified By: Justin Kolbeck, Pol/Econ Officer for reasons 1.4 (b),(d)

Summary

[1](#)1. (C/NF) Melbourne based business leaders are worried that global economic conditions are still ripe for protectionist policies in the guise of stimulus packages. During a luncheon at Consul General's residence, business leaders asked if the U.S. Congress would backtrack on free trade. They hailed the U.S./Australia FTA, but noted that tax harmonization would help take the bilateral relationship further. A united voice vis-a-vis China will be critical for jointly confronting climate change. Oz Mineral's CEO asked whether the United States had influenced the recent GOA decision to block Chinese acquisition of his company. A Telstra executive said that his company is ready to play ball with the GOA's recently announced nationalized broadband plan. End Summary.

Worried About Protectionism

[1](#)2. (C/NF) During an April 8 luncheon, Anthony Byrne, federal Member of Parliament and Parliamentary Secretary to the Prime Minister and for Trade told Consul General and visiting Econouns that he was happy with the G20 communique, but worried that some countries may try to pursue protectionist policies via domestic stimulus packages. He said that such behavior risks igniting an "indirect trade war." Byrne and Oz Minerals CEO Andrew Michelmore complained about high European non-tariff barriers; Byrne noted that some Australians are beginning to wonder why the GOA is not moving to protect its economy by raising trade barriers. Michelmore went on to say that bilateral trade agreements can cause more harm than good and alleged that U.S. agreements with the E.U. on steel and beef have caused "collateral damage in the Australian economy." The Australians were taken aback when it was suggested that their own country might be able to take some steps of its own to lower trade barriers.

[1](#)3. (C/NF) Byrne, Michelmore and David Moffatt, Telstra's Group Managing Director of Consumer Marketing and Channels all expressed concern over the possibility of U.S. protectionism and the U.S. Congress' orientation on trade. Byrne acknowledged the President's early action to make the "Buy American" provision in our stimulus package consistent with WTO obligations, but asked whether the provision was an indicator of future protectionist moves out of Congress. They argued that the symbolic importance of the United States is such that we must be seen to be moving forward to advance

freer trade or else many countries will think that they have cover to move backward. Econcouns stressed that the United States has made clear our commitment to trade and our opposition to protectionism, while noting that it is reasonable to give the new team the opportunity to lay out our policy.

¶4. (C) Michelmores described Europe's emissions trading scheme (ETS) as a trade barrier. Mark Paton, Westpac's State General Manager for Retail and Business Banking echoed these concerns and said that complying with an ETS based on 1990 levels disadvantages Australia vis-a-vis Europe. Monash University's Vice Chancellor, Richard Larkins noted that the President's attitude on climate change will be incredibly important and all of the attendees agreed that Australia and the United States must speak with one voice to China on climate change.

Ways Forward

¶5. (C) Participants in the luncheon said that there are not any major impediments in the U.S./Australia relationship. Michelmores noted, however, that tax harmonization between the two countries would help with professional relocations. He explained that differences in personal tax regimes and the impact on retirement funds had caused several Oz Minerals transferees between the U.S. and Australia to back out of their agreements once the full tax implications had been explained. Michelmores also praised the 2008 open skies agreement as a way to confront the tyranny of distance between the U.S. and Australia but argued that the impact on business is likely to be minimal. Telstra's Moffatt said teleconferences and other technology have reduced the need for much business travel; all agreed that lower airfares would primarily benefit the important tourism industry.

Interference in Oz Minerals?

¶6. (C/NF) Michelmores asked bluntly why the United States had influenced the GOA to block a bid by Chinese state-owned Minmetals to purchase Oz Minerals on security grounds (ref. B). He said that he could understand the GOA's rejection of an outright sale, but said that blocking a partial sale or even investment in individual projects demonstrated "paranoia." Econcouns explained that the Embassy had neither been asked for nor offered an opinion by Australia and that we have confidence in Australia's ability to determine its own security interests. Byrne said that intelligence sharing between the United States and Australia is strong and that there is "no divergence" in our views on China. Byrne offered to raise the issue with Prime Minister Rudd if Michelmores was still unsatisfied.

Telstra Ready to Play Ball

¶7. (C/NF) Referencing the GOA's April 8 announcement that it would build the national broadband network (ref. A), Moffatt said that he was "surprised," but that the company is looking for ways to move forward and cooperate with the government. He said that the personality of the company's new CEO would play a large role in the future relationship between Telstra and the GOA. (Comment: Local observers have criticized former CEO Solomon Trujillo for waging a costly and unnecessary war with the GOA over details on the broadband network. End comment.) Moffatt did wonder, however whether the A\$43 billion (US\$30 billion) would be better spent on other projects given Australia's relatively high connectivity. Byrne responded by saying that the GOA will continue to inject funds into the Australian economy until "private companies feel better about investing."

Comment

¶8. (C/NF) The participants hailed the U.S./Australia FTA as a

success and had only small modifications to suggest such as tax regime harmonization. They all shared a real concern, however, that global economic conditions are still ripe for a rise in protectionism. While Anthony Byrne's trade portfolio is almost symbolic -- Trade Minister Simon Crean dominates the subject -- his worries about protectionism disguised in stimulus packages and "prohibitive" tariffs in Europe were real and were shared by these representatives of the business community.

THURSTON